

NOVARTIS AG
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13a-16 or 15d-16 OF

THE SECURITIES EXCHANGE ACT OF 1934

Report on Form 6-K dated January 20, 2006

(Commission File No. 1-15024)

Novartis AG

(Name of Registrant)

Lichtstrasse 35

4056 Basel

Switzerland

(Address of Principal Executive Offices)

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Enclosure: **Novartis AG Announces Results for the Fourth Quarter and Full Year of 2005**

Novartis International AG
Novartis Global
Communications
CH-4002 Basel
Switzerland

<http://www.novartis.com>

John Gilardi
Novartis Global Media Relations
+41 61 324 3018 (direct)
+41 61 324 2200 (main)
john.gilardi@novartis.com

Corinne Hoff
Novartis Global Media Relations
+ 41 61 324 9577 (direct)
+ 41 61 324 2200 (main)
corinne.hoff@novartis.com

MEDIA RELEASE

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Novartis delivers strong performance with record results in 2005

Group full-year net sales up 14% in USD (+13% lc) thanks to dynamic expansion of Novartis Pharmaceuticals and Sandoz, the latter supported by acquisitions

Pharmaceuticals continues to gain market share, net sales rise 10% (+9% lc) based on excellent performances from strategic products

Group operating income rises 10%, while Pharmaceuticals advances 12% through productivity gains and the operating margin rises 0.7 percentage points to 29.7%

Net income up 10% to USD 6.1 billion and EPS rises 11% to USD 2.63 per share

Free cash flow advances 42% to USD 4.7 billion

Proposed dividend for 2005 increased 10% to CHF 1.15 per share

Novartis preparing important submissions for 2006: Galvus (formerly LAF237, type 2 diabetes), Rasilez (formerly SPP100, hypertension) and LDT600 (hepatitis B)

Key figures

Full year

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| | 2005 | | 2004 | | % Change | |
|-------------------------------------|-----------------|----------------|--------------------|----------------|----------|----|
| | USD m | % of net sales | USD m | % of net sales | USD | Lc |
| Net sales | 32 212 | | 28 247 | | 14 | 13 |
| <i>Pharmaceuticals</i> | 20 262 | | 18 497 | | 10 | 9 |
| <i>Sandoz</i> | 4 694 | | 3 045 | | 54 | 54 |
| <i>Consumer Health</i> | 7 256 | | 6 705 | | 8 | 8 |
| Operating income | 6 905 | 21.4 | 6 289(1) | 22.3 | 10 | |
| Net income | 6 141 | 19.1 | 5 601(1) | 19.8 | 10 | |
| Basic earnings per share/ADS | USD 2.63 | | USD 2.37(1) | | 11 | |

Fourth quarter

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| | Q4 2005 | | Q4 2004 | | % Change | |
|-------------------------------------|-----------------|----------------|--------------------|----------------|-----------|-----------|
| | USD m | % of net sales | USD m | % of net sales | USD | Lc |
| Net sales | 8 657 | | 7 578 | | 14 | 18 |
| <i>Pharmaceuticals</i> | <i>5 248</i> | | <i>4 969</i> | | <i>6</i> | <i>9</i> |
| <i>Sandoz</i> | <i>1 573</i> | | <i>867</i> | | <i>81</i> | <i>91</i> |
| <i>Consumer Health</i> | <i>1 836</i> | | <i>1 742</i> | | <i>5</i> | <i>9</i> |
| Operating income | 1 488 | 17.2 | 1 500(1) | 19.8 | -1 | |
| Net income | 1 352 | 15.6 | 1 354(1) | 17.9 | | |
| Basic earnings per share/ADS | USD 0.58 | | USD 0.58(1) | | | |

(1) Pro forma basis: This report reflects the adoption of new IFRS accounting standards that became effective on January 1, 2005, and other presentational changes. In order to provide a comparable basis, the 2004 pro forma statements reflect these changes as if they had been in effect already during 2004.

All product names appearing in italics are trademarks of Novartis Group Companies

Basel, January 19, 2006 Commenting on the results, Dr. Daniel Vasella, Chairman and CEO of Novartis, said, *It gives me great pleasure to present once again a strong performance and record results in 2005. We gained market share and concluded strategic acquisitions to strengthen our leadership position in areas with high growth potential and unmet patient needs. Our strong performance has allowed us to increase our access-to-medicines programs to reach 6.5 million people in 2005 with USD 696 million of products donated or sold at cost. We are confident of delivering in 2006 another year of dynamic growth with record sales and earnings.*

Net sales

Full year

Group net sales rose 14% (+13% in local currencies, or lc) to USD 32.2 billion based on dynamic expansion in Pharmaceuticals and Sandoz, which was supported by the acquisitions of Hexal and Eon Labs in 2005, as well as a good performance in Consumer Health, particularly OTC. Volume increases were the primary driver, contributing nine percentage points to Group net sales growth. Currency benefits added one percentage point and acquisitions five percentage points. Prices across the Group declined one percentage point. Pharmaceuticals accounted for 63% of Group net sales, Sandoz for 15% and Consumer Health for 22%. The US remained the largest market, accounting for 39% of Group net sales, while Europe contributed 37% and the rest of the world 24%.

Pharmaceuticals net sales were up 10% (+9% lc) to USD 20.3 billion, delivering dynamic growth ahead of the market and in all regions. The Cardiovascular and Oncology franchises each generated more than USD 5 billion in annual net sales while also maintaining double-digit growth rates. Many leading products, particularly *Diovan*, *Lotrel* and *Gleevec/Glivec* were the No. 1 products by sales in their therapeutic categories. New data continued to underpin the strong position of *Femara*, which delivered sales growth of nearly 40% for the year. Volume and product mix accounted for nine percentage points of net sales growth in USD, while currency benefits added one percentage point. Net price changes had no impact.

Sandoz net sales surged 54% (+54% lc) to USD 4.7 billion, bolstered by USD 1.4 billion in sales contributions from Hexal (starting from June 6) and Eon Labs (starting from July 20). Excluding these acquisitions, Sandoz sales rose 9% (+8% lc) thanks to strong retail generics sales in Europe and Russia as well as new launches in the US.

Consumer Health net sales climbed 8% (+8% lc) to USD 7.3 billion, helped by a double-digit growth performance in OTC tied to its focus on strategic brands and the contribution of the North American OTC business of Bristol-Myers Squibb. This acquisition, effective September 1, added USD 100 million in sales to the division.

Fourth quarter

Group net sales rise 14% (+18% lc) to USD 8.7 billion

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Net sales maintained a high growth rate, reflecting the strong ongoing performances of the divisions. Thanks to the dynamic growth, Novartis increased its share of the global health care market (including Pharmaceuticals and Sandoz) to 5.3% for the first 11 months of 2005 compared to 5.0% in the 2004 period (restated to include Hexal and Eon Labs), according to IMS Health. Pharmaceuticals increased its share of the global health-care market to 3.9% over 3.8% in the year-ago period. Volume increases contributed nine percentage points and acquisitions ten percentage points to net sales growth. Currencies had a negative impact of four percentage points, while net prices declined one percentage point.

Pharmaceuticals net sales rise 6% (+9% lc) to USD 5.2 billion

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Pharmaceuticals sales rose 6% in the fourth quarter but were up 9% in local currencies, thanks to double-digit sales growth from many leading products that led to market share gains. Cardiovascular franchise sales advanced 16% (+20% lc), supported by ongoing strong performances from *Diovan/Co-Diovan* and *Lotrel* amid increasing awareness about the need to better control hypertension. Oncology net sales rose 15% (+19% lc) thanks to recent clinical data for *Femara*, *Gleevec/Glivec* and *Zometa*.

Net sales in the US rose 14% to USD 2.2 billion based on strong growth from many products, including *Diovan*, *Lotrel*, *Gleevec/Glivec*, *Femara* and *Zelmac/Zelnorm*. This performance was partly offset by lower sales of *Elidel* as well as generic competition for *Sandostatin SC* and increased competition for *Visudyne*. In Europe, net sales were down 2% in USD but rose 6% in local currencies based on good performances from *Diovan* and *Glivec*, which offset the impact of generic versions of *Lamisil* and *Foradil* in some countries. Net sales in Japan, the world's second-largest pharmaceutical market, fell 3% but advanced 8% in local currencies. Emerging growth markets continued to perform well, with sales rising 10% (+14% lc) based on excellent performances in Turkey, China and Russia.

Sandoz net sales advance 81% (+91% lc) to USD 1.6 billion

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Performing well in a highly competitive market environment, net sales for Sandoz excluding Hexal and Eon Labs rose 2% but advanced 9% in local currencies in the fourth quarter. Strong performances in markets including Italy, Germany, Russia and France as well as in the US through new product introductions supported underlying growth. The anti-infectives business delivered double-digit growth. Hexal (three months of sales) and Eon Labs (four months of sales) contributed net sales of USD 688 million for the quarter, performing well ahead of expectations and contributing 79 percentage points to net sales growth in USD.

Consumer Health net sales up 5% (+9% lc) to USD 1.8 billion

Supported by robust growth in OTC, Consumer Health net sales rose 5% (+9% lc) in the fourth quarter. OTC benefited from a strong cough-and-cold season in the US as well as the Bristol-Myers Squibb OTC business acquisition, which contributed USD 72 million in sales. Gerber (formerly Infant & Baby) delivered double-digit growth, thanks to further expansion in the US. Medical Nutrition (including Nutrition & Santé) sales were flat, with good sales in key regions offsetting price pressure in the US and changes in health guidelines in Germany. Animal Health sales were lower, affected by a reduction in net sales from the fall US sales offer. CIBA Vision sales were lower as a lens-care product supply issue offset the successful rollout of *O₂OPTIX* contact lenses.

Operating income

Full year

| | 2005 | | 2004(1) | | Change |
|---------------------------------|--------------|----------------|---------|----------------|--------|
| | USD m | % of net sales | USD m | % of net sales | In % |
| Pharmaceuticals | 6 014 | 29.7 | 5 366 | 29.0 | 12 |
| Sandoz | 342 | 7.3 | 263 | 8.6 | 30 |
| Consumer Health | 1 055 | 14.5 | 1 006 | 15.0 | 5 |
| Corporate income & expense, net | -506 | | -346 | | |
| Total | 6 905 | 21.4 | 6 289 | 22.3 | 10 |

(1) Pro forma basis

Fourth quarter

| | Q4 2005 | | Q4 2004(1) | | Change |
|---------------------------------|--------------|----------------|------------|----------------|--------|
| | USD m | % of net sales | USD m | % of net sales | In % |
| Pharmaceuticals | 1 358 | 25.9 | 1 341 | 27.0 | 1 |
| Sandoz | 119 | 7.6 | 28 | 3.2 | 325 |
| Consumer Health | 190 | 10.3 | 175 | 10.0 | 9 |
| Corporate income & expense, net | -179 | | -44 | | |
| Total | 1 488 | 17.2 | 1 500 | 19.8 | -1 |

(1) Pro forma basis

Full year

Group operating income advanced 10%, at a slightly lower pace than sales as strong volume expansion and productivity improvements were partially offset by one-time costs related to acquisitions.

Pharmaceuticals operating income expansion outpaced sales growth, rising 12% from productivity gains in all areas that led to an operating margin of 29.7%, an increase of 0.7 percentage points over 2004. One-time gains of USD 231 million from the divestment of product rights for *Cibadrex/Cibacen* in Europe and the sale of license rights for Restasis® partially offset an impairment of USD 332 million after Novartis decided the profile of the development compound NKS104 (pitavastatin) was no longer competitive from Novartis' point of view.

Sandoz operating income rose 30% to USD 342 million, benefiting from a good underlying business performance. Also supporting growth was an operating income contribution of USD 344 million from Hexal and Eon Labs, which more than offset the one-time acquisition and related integration costs of USD 237 million and the amortization of intangible assets of USD 100 million. These businesses exceeded expectations and performed well since their acquisition in mid-2005.

Consumer Health operating income was up 5% over the year-ago period, rising at a slower pace than sales due to investments in strategic brands and acquisition-related costs. The BMS acquisition provided operating income of USD 17 million, which was more than offset by related one-time charges of USD 40 million.

Fourth quarter

Group operating income declines 1% to USD 1.5 billion

Operating income declined 1%, affected by the impairment of USD 266 million for NKS104 in Pharmaceuticals as well as other one-time items. Excluding the impact of these one-time items in both years, Group operating income would have risen 21%.

Pharmaceuticals operating income up 1% to USD 1.4 billion

Productivity gains, particularly in marketing and sales, led excluding exceptional factors to a 21% increase in operating income and an improved operating margin of 31% compared to the 2004 period. However, reported operating income rose 1%, reflecting an operating margin of 25.9% due to the one-time charges related to NKS104. Cost of Goods Sold improved 0.7 percentage points, reflecting productivity gains and a better product mix. Other Revenues contributed to the improved operating margin by 0.6 percentage points, supported by the US contribution of the asthma medicine *Xolair*. R&D costs rose 32% but were up only 3% when excluding the impairment. Marketing & Sales costs declined by 2.9 percentage points to 32.5% of sales, thanks to productivity improvements, particularly in the US, that were partially offset by launch and pre-launch investments in *Enablex* and *Exjade* as well as *Xolair* in Europe. General & Administrative expenses were slightly lower than the year-ago level, contributing 0.3 percentage points to the margin improvement.

Sandoz operating income rises sharply to USD 119 million

Sandoz operating income excluding the Hexal and Eon Labs acquisitions as well as one-time charges in both periods rose 23%, reflecting particularly the strong volume expansion in Europe and in the anti-infectives business supported by ongoing cost-containment efforts and operational efficiencies. The acquisitions of Hexal and Eon Labs contributed USD 155 million in operating income, which was partially offset by USD 78 million in integration and related restructuring costs as well as USD 33 million in amortization of intangible assets.

Consumer Health operating income rises 9% to USD 190 million

Operating income rose 9% in the fourth quarter. The BMS acquisition had integration-related costs of USD 24 million against a contribution of USD 8 million. OTC delivered good underlying growth through its focus on strategic brands.

Group net income for 2005 up 10% to USD 6.1 billion

Net income for the year advanced 10% to USD 6.1 billion from USD 5.6 billion (pro forma) in the year-ago period. As a percentage of sales, net income fell to 19.1% from 19.8% in the year-ago period, mainly the result of acquisitions that caused one-time purchase accounting and restructuring costs as well as lower net financial income.

Chiron acquisition on track for completion in first half of 2006

The acquisition and integration planning of Chiron Corporation remains on track to be completed in the first half of 2006. A meeting of Chiron shareholders is expected to take place in early 2006 to vote on the offer of Novartis to acquire the remaining 56% of the company that it does not already own. (Novartis held approximately 42% of Chiron at the time of the acquisition announcement and then acquired a further approximately 2% for USD 300 million in December.) Novartis has already received US regulatory approval to acquire Chiron. Additional regulatory approvals, including in Europe, are expected to be received soon. Annual synergies of USD 200 million are expected to be realized through the transaction.

The vaccines and blood testing businesses of Chiron will together form a new division within Novartis, joining the Pharmaceuticals, Sandoz and Consumer Health divisions. The biopharmaceuticals business will be merged into Novartis Pharmaceuticals, primarily in the oncology, respiratory and infectious diseases businesses. Novartis is planning to invest significant management skill into the Chiron businesses, with a particular focus on ensuring influenza vaccine supply for the 2006/2007 season and subsequent years through remediation of the Chiron manufacturing sites in Liverpool, England, and Marburg, Germany, as well as through the development of novel technologies, such as cell culture production.

Sandoz integration progressing better than planned

Sandoz is positioned well for future growth based on the success to date in integrating Hexal and Eon Labs following their acquisition in 2005. Novartis is committed to achieving the annual synergies target of USD 200 million expected within three years after closing, of which 50% are to be realized within 18 months. Hexal and Eon Labs have been performing well and exceeding expectations, generating a sales contribution of USD 1.4 billion. The operating income contribution of USD 344 million more than offset one-time acquisition and related integration costs of USD 237 million and the amortization of intangible assets of USD 100 million for the year.

Group outlook

(Barring any unforeseen events and excluding the impact of the planned Chiron acquisition)

Novartis expects further dynamic growth of its businesses in 2006, as it prepares for the launches of several new products and further expanding its well-regarded pipeline. High-single-digit net sales growth is anticipated for the Group in local currencies, while Pharmaceuticals net sales are seen growing in the mid-to-high single digits. Record levels of operating and net income are expected in 2006.

Pharmaceutical business and key product highlights

Note: All growth figures refer to worldwide sales growth in local currencies, unless otherwise specified.

General Medicines

Diovan (2005: USD 3.7 billion, +19% local currencies) (Q4: USD 994 million, +26% lc), the leading angiotensin-receptor blocker (ARB) worldwide, continued its strong performance. Sales in the US were positively impacted by normalization of the very low inventory levels in the 2004 fourth quarter. The quarterly underlying performance was slightly below growth rates seen for the full year. Key drivers have been recently approved indications and the global rollout of higher strengths of *Co-Diovan* (a combination of *Diovan* and a diuretic) as well as disease-awareness and education programs (*BP Success Zone*) in the US. *Diovan* is the only agent in its class worldwide indicated to treat high blood pressure, high-risk heart attack survivors (VALIANT trial) and patients with heart failure (Val-HeFT trial). In the US, *Diovan* is the leader with a 38% share of the ARB market segment (Source: IMS).

Lotrel (2005: USD 1.1 billion, +17% only in US) (Q4: USD 297 million, +17% US), the No. 1 fixed combination treatment for hypertension in the US since 2002, kept up strong double-digit growth based on new guidelines recommending more aggressive treatment of elevated blood pressure with multiple medicines and the US disease awareness campaign.

Lamisil (2005: USD 1.1 billion, -2% lc) (Q4: USD 251 million, -13% lc), the leading treatment worldwide for fungal nail infections, had lower overall sales from generic competition in most major European markets. In the US, sales were slightly higher, further increasing its leadership despite the launch in 2005 of a generic version of the competitor itraconazole.

Zelnorm/Zelmac (2005: USD 418 million, +39% lc) (Q4: USD 123 million, +69% lc), a novel therapy for irritable bowel syndrome with constipation (IBS-C) and the first and only prescription medicine for chronic idiopathic constipation, maintained robust double-digit growth rates in the US and other key markets, reflecting the product's therapeutic benefits and increasing disease awareness. In the US, the performance in the fourth quarter was driven by the continued strong uptake of *Zelnorm/Zelmac* in its new chronic constipation indication and also benefited from the normalization of inventories compared to below-average levels in the year-ago period. Novartis will appeal an opinion from a European Medicines Agency (EMA) committee recommending against EU approval of *Zelnorm*. This product has been approved in 56 countries for treatment of women with irritable bowel syndrome with constipation (IBS-C).

Elidel (2005: USD 270 million, -23% lc) (Q4: USD 53 million, -42% lc) had a sharp decline in sales for the fourth quarter based on the continued impact of a FDA health advisory statement issued in March 2005. Following

discussions with the FDA, prescribing information for *Elidel* (dispensed only as a topical cream) will be updated in early 2006. A boxed warning and medication guide make clear that no causal link has been established between the use of *Elidel* and rare post-marketing reports of malignancy. The concern of the FDA for a potential risk for malignancies exists based on the use of oral calcineurin inhibitors at high doses. A similar change in labeling will be made for other products in this class. While Novartis believes this action is not substantiated by scientific or clinical evidence, Novartis has agreed to make the requested changes and will communicate them to physicians and patients so that they can continue to use *Elidel* as labeled to effectively manage eczema. Novartis is confident in the safety and efficacy of *Elidel*, which is one of the most thoroughly researched dermatology products in the world and continues to be supported with significant ongoing clinical trials.

Specialty Medicines

Oncology

Gleevec/Glivec (2005: USD 2.2 billion, +32% lc) (Q4: USD 590 million, +32% lc), indicated for all stages of Philadelphia-chromosome positive (Ph+) chronic myeloid leukemia (CML) and certain forms of gastro-intestinal stromal tumors (GIST), maintained robust growth rates through further penetration of the CML and GIST markets. Also supporting growth have been an increase in average daily dose as well as increasing number of patients thanks to improved survival benefits. Data from the IRIS study showed that more than 90% of patients with newly-diagnosed chronic phase CML who are taking *Gleevec/Glivec* are still alive after 4.5 years. Moreover, less than 1% of patients progressed to advanced disease in the fourth year, indicating an overall decreased rate of progression. *Gleevec/Glivec* received EU approval in 2005 for increasing the average daily dose to 800 mg from 400 mg or 600 mg in patients with chronic phase CML and in GIST patients whose cancer is progressing on the lower dose. *Gleevec/Glivec* has been submitted in the US, EU and Japan for Ph+ acute lymphoblastic leukemia (ALL).

Zometa (2005: USD 1.2 billion, +13% lc) (Q4: USD 314 million, +11% lc), the leading intra-venous bisphosphonate for bone metastases, reached a record 75% market segment share in a maturing US market. Greater use in prostate and lung cancer was somewhat offset by slowing growth in breast cancer and myeloma due to high penetration rates. In the EU, *Zometa* is growing market share despite new competition.

Femara (2005: USD 536 million, +38% lc) (Q4: USD 146 million, +32% lc), a leading therapy for early and advanced breast cancer in postmenopausal women, benefited from further penetration of the extended adjuvant setting after five years of tamoxifen usage. New data from the landmark MA-17 trial reported at a major medical meeting found that postmenopausal women with early breast cancer received significant benefit from *Femara* therapy even after a prolonged period of no anti-cancer treatment. In addition, *Femara* received US approval in December for use as an initial treatment immediately after surgery in patients with hormone-sensitive early breast cancer (adjuvant setting), becoming the only medicine in its class approved in the US for use as an initial treatment as well as after completion of five years of tamoxifen therapy. This new US indication was based on results of the BIG 1-98 study, which were published for the first time in a December issue of *The New England Journal of Medicine*. Submissions for this new indication have been made in Europe, where it has already been approved in the UK. *Femara* is also awaiting approval in Japan for use in the treatment of breast cancer.

Sandostatin (2005: USD 896 million, +8% lc) (Q4: USD 224 million, +3% lc), for patients with the hormone condition acromegaly as well as for symptoms of gastro-entero-pancreatic neuroendocrine tumors, reported flat worldwide sales and a decline in the US, where the subcutaneous formulation faces generic competition. However, sales of the long-acting LAR version expanded at a double-digit rate in the US and rest of the world.

Ophthalmics

Net sales increased 7% in local currencies for 2005 but *Visudyne* (2005: 484 million, +7% lc) (Q4: USD 107 million, -9% lc), the leading treatment for wet AMD (age-related macular degeneration), reported a decline in fourth-quarter sales after the entry of off-label competition in the US. *Visudyne* growth, however, was strong in the rest of the world, including the UK, Germany and France, with sales outside the US up 18% in local currencies.

Transplantation

Net sales for the year declined 1% in local currencies based on lower sales of *Neoral/Sandimmun* (2005: USD 953 million, -6% lc) (Q4: USD 241 million, -5% lc) from the impact of ongoing generic competition.

Pharmaceuticals product and regulatory update

Novartis has been rated consistently as having one of the strongest pipelines in the pharmaceuticals industry, particularly for R&D productivity and its focus on truly novel compounds. A total of 76 projects are currently in clinical development, of which 50 are in Phase II, Phase III or registration and of which 45 are new molecular entities (NMEs).

A number of important submissions are planned for 2006, in particular *Galvus* (type 2 diabetes) and *Rasilez* (hypertension) in the US in the first quarter of the year.

Among the recent developments:

Galvus⁽¹⁾ (vildagliptin, formerly LAF237), a potentially first-in-class oral pancreatic islet enhancer for the treatment of type 2 diabetes, is on track to be submitted in the first quarter of 2006 in the US, while EU submission remains planned to occur before the end of the year. New data confirmed that *Galvus* reduces HbA1c levels (longer-term measure of average blood sugar levels) in a dose-proportional, clinically meaningful manner, both as a monotherapy and in combination with other anti-diabetic agents. This compound has demonstrated a significant additive effect in reducing HbA1c levels in combination trials with metformin and with a sulfonylurea. *Galvus*, which has showed excellent tolerability without causing weight gain or edema, has also been able to sustain meaningful HbA1c reductions out to one year of treatment. Due to its novel effects on pancreatic islet dysfunction, *Galvus* has the potential to become a significant new treatment for type 2 diabetes.

Rasilez⁽¹⁾ (aliskiren, formerly SPP100), the first in a new class of anti-hypertension agents called renin inhibitors, is also on track for US submission in the first quarter of 2006. EU submission remains planned for the fourth quarter of 2006. Phase III data has confirmed the efficacy and safety of *Rasilez* as a once-daily oral treatment with powerful double-digit reductions in blood pressure combined with excellent 24-hour blood pressure control. *Rasilez* is being developed as a monotherapy and in combination with other anti-hypertensive agents. This compound has shown powerful additional blood pressure lowering effects when combined with hydrochlorothiazide (diuretic), ramipril (ACE inhibitor) or amlodipine (calcium channel blocker). Developed in collaboration with Speedel, *Rasilez* also has the potential to offer improved end-organ protection due to its inhibition of plasma renin activity, an emerging risk factor for cardiovascular disease, and an extensive profiling program is underway. Additional Phase III data is expected to be available during 2006.

Exforge⁽¹⁾, a fixed-dose combination of the calcium channel blocker (CCB) amlodipine and *Diovan*, is on track for submission in 2006. This would mark the first fixed-dose combination of the two most prescribed anti-hypertensives in the marketplace, bringing together all the benefits of these two leading agents in one pill.

FTY720 (fingolimod), seeking to become the oral once-daily treatment for relapsing forms of multiple sclerosis, has been approved in several European countries to start the first Phase III trial. Discussions are underway with the FDA on starting this trial in the US, which is a two-year, double-blind pivotal trial in relapsing-remitting MS patients comparing 1.25 mg and 0.50 mg doses with placebo. A second trial in relapsing-remitting MS patients is

scheduled to start later in 2006 in which 1.25 mg and 0.50 mg doses will be compared to an interferon. Data for 12 months in a Phase II study presented in 2005 confirmed the substantial efficacy of FTY720 in significantly reducing the relapse rates of patients with this disease. MS is estimated to affect more than two million people worldwide and the leading cause of neurological disability in young adults.

(1) Brand name awaiting approval by regulatory authorities, compound not yet submitted for approval

All key filings for **LDT600** (telbivudine) are planned to be completed by the end of the first quarter of 2006 following submission in the US in December 2005. Results from the GLOBE study, a Phase III trial in patients with chronic hepatitis B, presented in November 2005 showed that treatment of patients after one year with LDT600 provided superior response on all evaluated virologic markers compared to lamivudine, the current standard of care. The study successfully reached its primary endpoint of therapeutic response, which was designed to assess if telbivudine was at least as effective as lamivudine in both HBeAg-positive and HBeAg-negative patients.

A decision by the FDA on the use of **Aclasta** (zoledronic acid 5 mg) for the treatment of Paget's disease of the bone is expected in the first quarter of 2006 after an approvable letter was issued for this indication in March 2005. **Aclasta** was first launched in Germany in May 2005, with other major EU launches planned for 2006. Phase III trials are ongoing to demonstrate the benefits of **Aclasta** as a once-yearly treatment for osteoporosis. US and EU submissions for osteoporosis are planned for 2007.

Xolair (omalizumab), a first-in-class monoclonal antibody for the treatment of severe persistent allergic asthma, received EU approval in October 2005. Launches are underway in key European markets for **Xolair**, considered by many experts to be one of the most significant advances in the last 15 years for helping patients with asthma. **Xolair** was first approved in the US in June 2003, where it has since been prescribed to an estimated 55,000 patients. **Xolair** has been developed under an agreement between Novartis Pharma AG, Genentech and Tanox.

Exjade (deferasirox, formerly ICL670) received accelerated US regulatory approval in November 2005, its first worldwide, as the first and only once-daily oral iron chelator for treatment of chronic iron overload due to blood transfusions in adults and children age two and older. This approval is expected to greatly enhance the acceptance of iron chelation therapy, especially for children, and offer a new alternative to the burdensome continuous infusion therapy. **Exjade** has also been approved in Switzerland. Designated an orphan drug in the US, Australia, and the EU, **Exjade** has also been granted a priority review in Canada, Australia and New Zealand. Additional regulatory submissions have been made around the world.

QAB149 (indacaterol), which has the potential to be the first once-daily long-acting beta-2 agonist, is set to begin Phase III trials in the first quarter of 2006. Global pivotal studies are planned for both asthma and chronic obstructive pulmonary disease (COPD). **QAB149** offers a quick onset of action and true 24-hour control.

Lucentis (ranibizumab), seeking to become the new gold standard for the treatment of wet age-related macular degeneration (AMD), is planned to be submitted for EU approval in the first quarter of 2006. Phase III study results from ANCHOR showed **Lucentis** met its one-year primary efficacy endpoint of maintaining or improving vision. **Lucentis** was submitted in December for approval in the US by Genentech, where the company maintains the rights to develop and market this product.

Corporate

Corporate income & expense, net

Net corporate expenses were USD 179 million in the fourth quarter, up from a net expense of USD 44 million in 2004 tied to several factors, including increased provisioning for product liability risks. For the full year, net corporate expenses were USD 506 million compared to USD 346 million in 2004.

Financial income, net

Net financial income in the fourth quarter amounted to USD 43 million, a decline from USD 66 million in the 2004 fourth quarter. Acquisitions led to a decline in average net liquidity, which contributed to the reduction in net financial income to USD 167 million compared to USD 227 million in 2004. The overall return on net liquidity for the year was 4.2%, up from 3.7% in 2004, principally due to currency gains.

Result from associated companies

Associated companies generated a net contribution of USD 67 million in the fourth quarter, an increase from USD 23 million in the year-ago quarter. The 44% investment in Chiron contributed income of USD 21 million in the fourth quarter compared to a loss of USD 6 million in the year-ago period due to influenza vaccine manufacturing issues. The investment in Roche provided income of USD 43 million. This amount consists of an estimated share of USD 72 million of Roche's net income for the fourth quarter of 2005, partially offset by charges of USD 29 million related to amortization of intangible assets. In total, associated companies provided income of USD 193 million in 2005, up from USD 177 million in 2004.

Balance sheet

The Group's equity increased by USD 1.8 billion in 2005 to USD 33.2 billion. The increase was the result of higher net income of USD 6.1 billion, which was partially offset by a dividend payment of USD 2.1 billion, translation losses of USD 2.0 billion and other net equity reductions of USD 0.2 billion.

Net liquidity fell by USD 4.5 billion to a total of USD 2.5 billion at December 31, 2005, compared to USD 7.0 billion at the start of the year, reflecting the acquisitions made during the year. Acquisitions amounted to approximately USD 8.8 billion to acquire Hexal and Eon Labs as well as the North American OTC business of BMS and also USD 300 million to acquire an additional 2% stake in newly issued shares of Chiron through an existing agreement. The debt/equity ratio at the end of 2005 increased to 0.25:1 from 0.22:1 at December 31, 2004.

Novartis repurchased no shares in the fourth quarter through its share repurchase program via a second trading line on the SWX Swiss Exchange, leaving the total of shares repurchased in 2005 via the second trading line unchanged at 10.2 million for USD 0.5 billion. A total of 25.4 million shares have been repurchased for USD 1.2 billion following the start of the fourth share-repurchase program in August 2004. A proposal will be made at the forthcoming Annual General Meeting to reduce the share capital by 10.2 million shares bought through the repurchase program on the second trading line.

Novartis is one of the few non-financial companies worldwide to have attained the highest credit ratings from Standard & Poor's and Moody's, the two benchmark rating agencies. S&P rates Novartis as AAA for long-term maturities and A1+ for short-term maturities, while Moody's has rated the company as Aaa and P1, respectively.

Cash flow

Cash flow from operating activities rose very strongly by USD 1.4 billion in 2005 to USD 8.1 billion, reflecting the strong business expansion and strict management of working capital by the divisions. In the fourth quarter, cash flow from operating activities increased by USD 0.4 billion to USD 2.3 billion. Free cash flow after dividends (excluding the impact of acquisitions) in 2005 was USD 4.7 billion, an increase of USD 1.4 billion.

Dividend

The Board of Directors proposes for approval at the next Annual General Meeting on February 28, 2006, a dividend payment of CHF 1.15 per share for 2005, up 10% from CHF 1.05 in 2004. This higher dividend marks the ninth consecutive higher payout per share since the creation of Novartis in December 1996. If approved by shareholders, dividends paid for 2005 on outstanding shares are expected to total USD 2.1 billion. The dividend payout ratio for 2005 would be 33% of Group net income. Based on the 2005 year-end share price of CHF 69.05, the Novartis dividend yield would be 1.7% compared to 1.8% in 2004. The payment date for the 2005 dividend has been set for March 3, 2006. All issued shares are dividend bearing, with the exception of 258.1 million Treasury shares.

Proposed changes in the Board of Directors

Professor Helmut Sihler, who has played a vital role in shaping the success of Novartis since its creation, will retire from the Board of Directors at the forthcoming Annual General Meeting on February 28, 2006. In his capacity as independent Lead Director, Professor Sihler will be succeeded by Professor Ulrich Lehner, a current board member who will additionally serve, together with Hans-Jörg Rudloff, as Vice Chairman of the Board of Directors.

Proposed changes to the Articles of Incorporation

The Board of Directors will propose to shareholders the elimination of the 12-year limitation on board memberships, as outlined in Article 21 of the Articles of Incorporation.

Disclaimer

This release contains certain forward-looking statements relating to the Group's business, which can be identified by the use of forward-looking terminology such as preparing important submissions, confident, expected, will, future growth, committed, expected, outlook, expected, potentially, on track, planned, potential, would mark, seeking to become, set to begin, would be, could be, or similar expressions or implied discussions regarding potential future sales of new or existing products, potential new products or potential new indications for existing products, or by other discussions of strategy, plans or intentions. Such statements reflect the current views of management with respect to future events and are subject to certain risks, uncertainties and assumptions. There can be no guarantee that any products, or the Group as a whole, will reach any particular sales levels, or that any new products will be approved for sale in any market, or that any new indications will be approved for existing products in any market. In particular, management's expectations could be affected by, among other things, uncertainties involved in the development of new pharmaceutical products, including unexpected clinical trial results; unexpected regulatory actions or delays or government regulation generally; the Group's ability to obtain or maintain patent or other proprietary intellectual property protection; competition in general; government, industry, and general public pricing pressures and other risks and factors referred to in the Group's current Form 20-F on file with the US Securities and Exchange Commission. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated or expected. Novartis is providing the information in this press release as of this date and does not undertake any obligation

to update any forward-looking statements contained in this press release as a result of new information, future events or otherwise.

About Novartis

Novartis AG (NYSE: NVS) is a world leader in offering medicines to protect health, cure disease and improve well-being. Our goal is to discover, develop and successfully market innovative products to treat patients, ease suffering and enhance the quality of life. Novartis is the only company with leadership positions in both patented and generic pharmaceuticals. We are strengthening our medicine-based portfolio, which is focused on strategic growth platforms in innovation-driven pharmaceuticals, high-quality and low-cost generics and leading self-medication OTC brands. In 2005, the Group's businesses achieved net sales of USD 32.2 billion and net income of USD 6.1 billion. Approximately USD 4.8 billion was invested in R&D. Headquartered in Basel, Switzerland, Novartis Group companies employ approximately 91,000 people and operate in over 140 countries around the world. For more information, please visit <http://www.novartis.com>.

Further Important Dates

February 28, 2006
April 24, 2006
July 17, 2006
October 19, 2006

Annual General Meeting
First quarter 2006 results
Second quarter 2006 results
Third quarter 2006 results

Contacts

Media:

+41 61 324 2200
(John Gilardi or Corinne Hoff Basel)

+1 212 830 2457
(Sheldon Jones US)

Investors:

+41 61 324 7944
(Karen Huebscher Basel)

+1 212 830 2433
(Ronen Tamir US)

Consolidated income statements

Full year

| | 2005 USD m | 2004(1) USD m | Change USD m | % | Restated historical 2004(2) USD m |
|---|----------------|------------------|-----------------|-----------|--|
| Total net sales | 32 212 | 28 247 | 3 965 | 14 | 28 247 |
| Other revenues | 314 | 154 | 160 | 104 | 154 |
| Cost of Goods Sold | -8 868 | -7 268 | -1 600 | 22 | -7 268 |
| Gross profit | 23 658 | 21 133 | 2 525 | 12 | 21 133 |
| Marketing & Sales | -9 802 | -8 873 | -929 | 10 | -8 873 |
| Research & Development | -4 846 | -4 077 | -769 | 19 | -4 171 |
| General & Administration | -1 742 | -1 540 | -202 | 13 | -1 540 |
| Other income & expense | -363 | -354 | -9 | 3 | -397 |
| Operating income | 6 905 | 6 289 | 616 | 10 | 6 152 |
| Result from associated companies | 193 | 177 | 16 | 9 | 68 |
| Financial income | 461 | 488 | -27 | -6 | 486 |
| Interest expense | -294 | -261 | -33 | 13 | -261 |
| Income before taxes | 7 265 | 6 693 | 572 | 9 | 6 445 |
| Taxes | -1 124 | -1 092 | -32 | 3 | -1 065 |
| Net income | 6 141 | 5 601 | 540 | 10 | 5 380 |
| <i>Attributable to:</i> | | | | | |
| <i>Equity holders of the parent</i> | 6 130 | 5 586 | 544 | 10 | 5 365 |
| <i>Minority interests</i> | 11 | 15 | -4 | -27 | 15 |
| Average number of shares outstanding - Basic (million) | 2 332.8 | 2 355.5 | | -1 | 2 355.5 |
| Basic earnings per share (USD) ⁽³⁾ | 2.63 | 2.37 | 0.26 | 11 | 2.28 |
| Average number of shares outstanding - Diluted (million) | 2 342.5 | 2 367.4 | | -1 | 2 367.4 |
| Diluted earnings per share (USD) ⁽³⁾ | 2.62 | 2.36 | 0.26 | 11 | 2.27 |

(1) Pro forma basis: This report reflects the adoption of new IFRS accounting standards that became effective on January 1, 2005, and other presentational changes. In order to provide a comparable basis, the 2004 pro forma statements reflect these changes as if they had been in effect already during 2004. Further information is available in the 2005 Financial Report.

(2) Restated historical basis (Further information is available in the 2005 Financial Report)

(3) Earnings per share (EPS) is calculated on the amount of net income attributable to the equity holders of the parent

Consolidated statement of recognized income and expense

Full year

| | 2005 USD m | 2004(1) USD m | Change USD m |
|---|---------------|------------------|-----------------|
| Net income | 6 141 | 5 380 | 761 |
| Fair value adjustments on financial instruments | -75 | 297 | -372 |
| Actuarial gains/losses from defined benefit plans | -400 | -1 038 | 638 |
| Additionally recognized amounts by associated companies | 41 | 24 | 17 |
| Translation movements | -1 978 | 950 | -2 928 |
| Recognized income and expense | 3 729 | 5 613 | -1 884 |

(1) Restated historical basis (see notes to the 2005 Financial Report for further information)

Consolidated income statements (unaudited)

Fourth quarter

| | Q4 2005 USD m | Q4 2004(1) USD m | Change USD m | % | Restated historical Q4 2004(2) USD m |
|---|------------------|---------------------|-----------------|-----------|---|
| Total net sales | 8 657 | 7 578 | 1 079 | 14 | 7 578 |
| Other revenues | 96 | 52 | 44 | 85 | 52 |
| Cost of Goods Sold | -2 517 | -2 051 | -466 | 23 | -2 051 |
| Gross profit | 6 236 | 5 579 | 657 | 12 | 5 579 |
| Marketing & Sales | -2 629 | -2 500 | -129 | 5 | -2 500 |
| Research & Development | -1 472 | -1 140 | -332 | 29 | -1 225 |
| General & Administration | -508 | -452 | -56 | 12 | -452 |
| Other income & expense | -139 | 13 | -152 | | 9 |
| Operating income | 1 488 | 1 500 | -12 | -1 | 1 411 |
| Result from associated companies | 67 | 23 | 44 | 191 | -3 |
| Financial income | 110 | 129 | -19 | -15 | 130 |
| Interest expense | -67 | -63 | -4 | 6 | -63 |
| Income before taxes | 1 598 | 1 589 | 9 | 1 | 1 475 |
| Taxes | -246 | -235 | -11 | 5 | -208 |
| Net income | 1 352 | 1 354 | -2 | | 1 267 |
| <i>Attributable to:</i> | | | | | |
| <i>Equity holders of the parent</i> | 1 350 | 1 351 | -1 | | 1 264 |
| <i>Minority interests</i> | 2 | 3 | -1 | -33 | 3 |
| Average number of shares outstanding - Basic (million) | 2 335.5 | 2 337.6 | | | 2 337.6 |
| Basic earnings per share (USD) (3) | 0.58 | 0.58 | | | 0.54 |
| Average number of shares outstanding - Diluted (million) | 2 350.1 | 2 349.5 | | | 2 349.5 |
| Diluted earnings per share (USD) ⁽³⁾ | 0.57 | 0.58 | -0.01 | -2 | 0.54 |

(1) Pro forma basis: This report reflects the adoption of new IFRS accounting standards that became effective on January 1, 2005, and other presentational changes. In order to provide a comparable basis, the 2004 pro forma statements reflect these changes as if they had been in effect already during 2004. Further information is available in the 2005 Financial Report.

(2) Restated historical basis (Further information is available in the 2005 Financial Report)

(3) Earnings per share (EPS) is calculated on the amount of net income attributable to the equity holders of the parent

Consolidated statement of recognized income and expense (unaudited)

Fourth quarter

| | Q4 2005 USD m | Q4 2004(1) USD m | Change USD m |
|---|------------------|---------------------|-----------------|
| Net income | 1 352 | 1 267 | 85 |
| Fair value adjustments on financial instruments | -51 | 78 | -129 |
| Actuarial gains/ losses from defined benefit plans | 114 | -269 | 383 |
| Additionally recognized amounts by associated companies | 7 | -10 | 17 |
| Translation movements | -227 | 1 472 | -1 699 |
| Recognized income and expense | 1 195 | 2 538 | -1 343 |

(1) Restated historical basis (see notes to the 2005 Financial Report for further information)

Condensed consolidated balance sheets

| | Dec 31, 2005 USD m | Dec 31, 2004(1) USD m | Change USD m |
|---|--------------------------|-----------------------------|-----------------|
| Assets | | | |
| Total non-current assets | 36 289 | 28 568 | 7 721 |
| Current assets | | | |
| Inventories | 3 725 | 3 558 | 167 |
| Trade accounts receivable | 5 343 | 4 851 | 492 |
| Other current assets | 1 442 | 1 619 | -177 |
| Cash, short-term deposits and marketable securities | 10 933 | 13 892 | -2 959 |
| Total current assets | 21 443 | 23 920 | -2 477 |
| Total assets | 57 732 | 52 488 | 5 244 |
| Equity and liabilities | | | |
| Total equity | 33 164 | 31 315 | 1 849 |
| Non-current liabilities | | | |
| Financial debts | 1 319 | 2 736 | -1 417 |
| Other non-current liabilities | 7 921 | 6 588 | 1 333 |
| Total non-current liabilities | 9 240 | 9 324 | -84 |
| Current liabilities | | | |
| Trade accounts payable | 1 961 | 2 020 | -59 |
| Financial debts and derivatives | 7 135 | 4 119 | 3 016 |
| Other current liabilities | 6 232 | 5 710 | 522 |
| Total current liabilities | 15 328 | 11 849 | 3 479 |
| Total liabilities | 24 568 | 21 173 | 3 395 |
| Total equity and liabilities | 57 732 | 52 488 | 5 244 |

(1) Restated historical basis (see notes to the 2005 Financial Report for further information)

Condensed consolidated changes in equity**Full year**

| | 2005 USD m | 2004(1) USD m | Change USD m |
|---|---------------|------------------|-----------------|
| Consolidated equity at January 1⁽¹⁾ | 31 315 | 29 043 | 2 272 |
| Recognized income and expense | 3 729 | 5 613 | -1 884 |
| Dividends | -2 107 | -1 896 | -211 |
| Sale/Purchase of treasury shares, net | -245 | -1 809 | 1 564 |
| Share-based compensation | 445 | 332 | 113 |
| Changes in minorities | 27 | 32 | -5 |
| Consolidated equity at December 31 | 33 164 | 31 315 | 1 849 |

(1) Restated historical basis (see notes to the 2005 Financial Report for further information)

Fourth quarter (unaudited)

| | Q4 2005 USD m | Q4 2004(1) USD m | Change USD m |
|---|------------------|---------------------|-----------------|
| Consolidated equity at October 1⁽¹⁾ | 31 748 | 28 844 | 2 904 |
| Recognized income and expense | 1 195 | 2 538 | -1 343 |
| Sale/Purchase of treasury shares, net | 36 | -169 | 205 |
| Share-based compensation | 131 | 104 | 27 |
| Changes in minorities | 54 | -2 | 56 |
| Consolidated equity at December 31 | 33 164 | 31 315 | 1 849 |

(1) Restated historical basis (see notes to the 2005 Financial Report for further information)

Condensed consolidated cash flow statements

Full year

| | 2005 USD m | 2004(1) USD m | Change USD m | Restated historical 2004(2) USD m |
|---|---------------|------------------|-----------------|--|
| Net income | 6 141 | 5 601 | 540 | 5 380 |
| Reversal of non-cash items | | | | |
| Taxes | 1 124 | 1 092 | 32 | 1 065 |
| Depreciation, amortization and impairments | 1 765 | 1 293 | 472 | 1 388 |
| Net financial income | -167 | -227 | 60 | -225 |
| Other | -179 | -15 | -164 | 41 |
| Net income adjusted for non-cash items | 8 684 | 7 744 | 940 | 7 649 |
| Interest and other financial receipts | 537 | 464 | 73 | 467 |
| Interest and other financial payments | -313 | -273 | -40 | -274 |
| Taxes paid | -1 363 | -1 083 | -280 | -1 083 |
| Cash flow before working capital and provision changes | 7 545 | 6 852 | 693 | 6 759 |
| Restructuring payments and other cash payments out of provisions | -337 | -219 | -118 | -219 |
| Change in net current assets and other operating cash flow items | 872 | 56 | 816 | 55 |
| Cash flow from operating activities | 8 080 | 6 689 | 1 391 | 6 595 |
| Investments in property, plant & equipment | -1 188 | -1 269 | 81 | -1 269 |
| Acquisitions/divestments of subsidiaries | -8 536 | -1 031 | -7 505 | -1 031 |
| Decrease/increase in marketable securities, intangible and financial assets | 2 242 | -1 011 | 3 253 | -917 |
| Cash flow used for investing activities | -7 482 | -3 311 | -4 171 | -3 217 |
| Cash flow used for financing activities | -266 | -2 997 | 2 731 | -2 997 |
| Translation effect on cash and cash equivalents | -94 | 56 | -150 | 56 |
| Change in cash and cash equivalents | 238 | 437 | -199 | 437 |
| Cash and cash equivalents at January 1 | 6 083 | 5 646 | 437 | 5 646 |
| Cash and cash equivalents at December 31 | 6 321 | 6 083 | 238 | 6 083 |

(1) Pro forma basis (see notes to the 2005 Financial Report for further information)

(2) Restated historical basis (see notes to the 2005 Financial Report for further information)

Condensed consolidated cash flow statements (unaudited)

Fourth quarter

| | Q4 2005 USD m | Q4 2004(1) USD m | Change USD m | Restated historical Q4 2004(2) USD m |
|---|------------------|---------------------|-----------------|---|
| Net income | 1 352 | 1 354 | -2 | 1 267 |
| Reversal of non-cash items | | | | |
| Taxes | 246 | 235 | 11 | 208 |
| Depreciation, amortization and impairments | 688 | 338 | 350 | 360 |
| Net financial income | -43 | -66 | 23 | -67 |
| Other | -47 | 4 | -51 | 13 |
| Net income adjusted for non-cash items | 2 196 | 1 865 | 331 | 1 781 |
| Interest and other financial receipts | 96 | 112 | -16 | 115 |
| Interest and other financial payments | -162 | -167 | 5 | -167 |
| Taxes paid | -381 | -197 | -184 | -197 |
| Cash flow before working capital and provision changes | 1 749 | 1 613 | 136 | 1 532 |
| Restructuring payments and other cash payments out of provisions | -84 | -57 | -27 | -57 |
| Change in net current assets and other operating cash flow items | 600 | 268 | 332 | 264 |
| Cash flow from operating activities | 2 265 | 1 824 | 441 | 1 739 |
| Investments in property, plant & equipment | -418 | -387 | -31 | -387 |
| Acquisitions/divestments of subsidiaries | 6 | | 6 | |
| Decrease/increase in marketable securities, intangible and financial assets | -893 | 542 | -1 435 | 627 |
| Cash flow used for investing activities | -1 305 | 155 | 1 460 | 240 |
| Cash flow used for financing activities | 1 801 | 860 | 941 | 860 |
| Translation effect on cash and cash equivalents | 28 | 63 | -35 | 63 |
| Change in cash and cash equivalents | 2 789 | 2 902 | -113 | 2 902 |
| Cash and cash equivalents at October 1 | 3 532 | 3 181 | 351 | 3 181 |
| Cash and cash equivalents at December 31 | 6 321 | 6 083 | 238 | 6 083 |

(1) Pro forma basis (see notes to the 2005 Financial Report for further information)

(2) Restated historical basis (see notes to the 2005 Financial Report for further information)

Net sales by Division

Full year

| | 2005 | 2004 | % change | |
|------------------------|---------------|--------|----------|----|
| | USD m | USD m | USD | Lc |
| Pharmaceuticals | 20 262 | 18 497 | 10 | 9 |
| Sandoz | 4 694 | 3 045 | 54 | 54 |
| Consumer Health | 7 256 | 6 705 | 8 | 8 |
| Total | 32 212 | 28 247 | 14 | 13 |

Fourth quarter (unaudited)

| | Q4 2005 | Q4 2004 | % change | |
|------------------------|--------------|---------|----------|----|
| | USD m | USD m | USD | lc |
| Pharmaceuticals | 5 248 | 4 969 | 6 | 9 |
| Sandoz | 1 573 | 867 | 81 | 91 |
| Consumer Health | 1 836 | 1 742 | 5 | 9 |
| Total | 8 657 | 7 578 | 14 | 18 |

Operating income by Division

Full year

| | 2005 | | 2004(1) | | Change | Restated historical 2004(2) |
|------------------------|--------------|----------------|---------|----------------|--------|-----------------------------|
| | USD m | % of net sales | USD m | % of net sales | in % | USD m |
| Pharmaceuticals | 6 014 | 29.7 | 5 366 | 29.0 | 12 | 5 252 |
| Sandoz | 342 | 7.3 | 263 | 8.6 | 30 | 240 |
| Consumer Health | 1 055 | 14.5 | 1 006 | 15.0 | 5 | 954 |
| | -506 | | -346 | | | -294 |

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Corporate income & expense,
net

| | | | | | | |
|--------------|--------------|-------------|-------|------|----|-------|
| Total | 6 905 | 21.4 | 6 289 | 22.3 | 10 | 6 152 |
|--------------|--------------|-------------|-------|------|----|-------|

-
- (1) Pro forma basis (see notes to the 2005 Financial Report for further information)
- (2) Restated historical basis (see notes to the 2005 Financial Report for further information)

Fourth quarter (unaudited)

| | Q4 2005 | | Q4 2004(1) | | Change | Restated historical Q4 2004(2) |
|------------------------------------|--------------|----------------------|------------|-------------------|--------|--------------------------------------|
| | USD m | % of net sales | USD m | % of net sales | in% | USD m |
| Pharmaceuticals | 1 358 | 25.9 | 1 341 | 27.0 | 1 | 1 251 |
| Sandoz | 119 | 7.6 | 28 | 3.2 | 325 | 23 |
| Consumer Health | 190 | 10.3 | 175 | 10.0 | 9 | 163 |
| Corporate income & expense, net | -179 | | -44 | | | -26 |
| Total | 1 488 | 17.2 | 1 500 | 19.8 | -1 | 1 411 |

-
- (1) Pro forma basis (see notes to the 2005 Financial Report for further information)
- (2) Restated historical basis (see notes to the 2005 Financial Report for further information)

Consolidated income statements Divisional segmentation

Full year

| | Pharmaceuticals Division | | Sandoz Division | | Consumer Health Division | | Corporate | | Total | |
|--|-----------------------------|------------------------------|--------------------|------------------------------|-----------------------------|------------------------------|---------------|------------------------------|---------------|------------------------------|
| | 2005 USD m | 2004 ⁽¹⁾ USD m | 2005 USD m | 2004 ⁽¹⁾ USD m | 2005 USD m | 2004 ⁽¹⁾ USD m | 2005 USD m | 2004 ⁽¹⁾ USD m | 2005 USD m | 2004 ⁽¹⁾ USD m |
| Net sales to third parties | 20 262 | 18 497 | 4 694 | 3 045 | 7 256 | 6 705 | | | 32 212 | 28 247 |
| Sales to other Divisions | 128 | 146 | 144 | 97 | 23 | 33 | -295 | -276 | | |
| Sales of Divisions | 20 390 | 18 643 | 4 838 | 3 142 | 7 279 | 6 738 | -295 | -276 | 32 212 | 28 247 |
| Other revenues | 253 | 134 | 18 | 6 | 43 | 14 | | | 314 | 154 |
| Cost of Goods Sold | -3 275 | -3 044 | -2 883 | -1 792 | -2 983 | -2 719 | 273 | 287 | -8 868 | -7 268 |
| <i>Of which amortization and impairments of product and patent rights and trademarks</i> | <i>-195</i> | <i>-172</i> | <i>-169</i> | <i>-69</i> | <i>-68</i> | <i>-59</i> | | | <i>-432</i> | <i>-300</i> |
| Gross profit | 17 368 | 15 733 | 1 973 | 1 356 | 4 339 | 4 033 | -22 | 11 | 23 658 | 21 133 |
| Marketing & Sales | -6 485 | -6 099 | -816 | -513 | -2 501 | -2 261 | | | -9 802 | -8 873 |
| Research & Development | -3 972 | -3 371 | -434 | -274 | -291 | -271 | -149 | -161 | -4 846 | -4 077 |
| General & Administration | -657 | -641 | -270 | -197 | -431 | -376 | -384 | -326 | -1 742 | -1 540 |
| Other income & expense | -240 | -256 | -111 | -109 | -61 | -119 | 49 | 130 | -363 | -354 |
| <i>Of which amortization and impairments of capitalized intangibles included in function costs</i> | <i>-342</i> | <i>-12</i> | <i>-57</i> | <i>-93</i> | <i>-34</i> | <i>-35</i> | <i>-17</i> | <i>-8</i> | <i>-450</i> | <i>-148</i> |
| Operating income | 6 014 | 5 366 | 342 | 263 | 1 055 | 1 006 | -506 | -346 | 6 905 | 6 289 |
| Result from associated companies | | | | | | | | | 193 | 177 |
| Financial income | | | | | | | | | 461 | 488 |
| Interest expense | | | | | | | | | -294 | -261 |
| Income before taxes | | | | | | | | | 7 265 | 6 693 |
| Taxes | | | | | | | | | -1 124 | -1 092 |
| Net income | | | | | | | | | 6 141 | 5 601 |

(1) Pro forma basis (see notes to the 2005 Financial Report for further information)

Consolidated income statements Divisional segmentation

Fourth quarter (unaudited)

| | Pharmaceuticals Division | | | Sandoz Division | | Consumer Health Division | | Corporate | | Total | |
|--|-----------------------------|------------------------------------|---------------------|------------------------------------|---------------------|------------------------------------|---------------------|------------------------------------|---------------------|------------------------------------|--|
| | Q4 2005 USD m | Q4 2004 ⁽¹⁾ USD m | Q4 2005 USD m | Q4 2004 ⁽¹⁾ USD m | Q4 2005 USD m | Q4 2004 ⁽¹⁾ USD m | Q4 2005 USD m | Q4 2004 ⁽¹⁾ USD m | Q4 2005 USD m | Q4 2004 ⁽¹⁾ USD m | |
| Net sales to third parties | 5 248 | 4 969 | 1 573 | 867 | 1 836 | 1 742 | | | 8 657 | 7 578 | |
| Sales to other Divisions | 29 | 38 | 26 | 36 | 1 | 10 | -56 | -84 | | | |
| Sales of Divisions | 5 277 | 5 007 | 1 599 | 903 | 1 837 | 1 752 | -56 | -84 | 8 657 | 7 578 | |
| Other revenues | 79 | 45 | 5 | 2 | 12 | 5 | | | 96 | 52 | |
| Cost of Goods Sold | -860 | -849 | -929 | -540 | -779 | -737 | 51 | 75 | -2 517 | -2 051 | |
| <i>Of which amortization and impairments of product and patent rights and trademarks</i> | <i>-68</i> | <i>-40</i> | <i>-52</i> | <i>-24</i> | <i>-22</i> | <i>-16</i> | | | <i>-142</i> | <i>-80</i> | |
| Gross profit | 4 496 | 4 203 | 675 | 365 | 1 070 | 1 020 | -5 | -9 | 6 236 | 5 579 | |
| Marketing & Sales | -1 706 | -1 759 | -266 | -137 | -657 | -604 | | | -2 629 | -2 500 | |
| Research & Development | -1 216 | -923 | -134 | -91 | -78 | -77 | -44 | -49 | -1 472 | -1 140 | |
| General & Administration | -183 | -187 | -91 | -64 | -117 | -107 | -117 | -94 | -508 | -452 | |
| Other income & expense | -33 | 7 | -65 | -45 | -28 | -57 | -13 | 108 | -139 | 13 | |
| <i>Of which amortization and impairments of capitalized intangibles included in function costs</i> | <i>-270</i> | <i>-5</i> | <i>-4</i> | <i>-7</i> | <i>-5</i> | <i>-5</i> | <i>-2</i> | | <i>-281</i> | <i>-17</i> | |
| Operating income | 1 358 | 1 341 | 119 | 28 | 190 | 175 | -179 | -44 | 1 488 | 1 500 | |
| Result from associated companies | | | | | | | | | 67 | 23 | |
| Financial income | | | | | | | | | 110 | 129 | |
| Interest expense | | | | | | | | | -67 | -63 | |
| Income before taxes | | | | | | | | | 1 598 | 1 589 | |
| Taxes | | | | | | | | | -246 | -235 | |
| Net income | | | | | | | | | 1 352 | 1 354 | |

(1) Pro forma basis (see notes to the 2005 Financial Report for further information)

Notes to the consolidated financial information for 2005

1. Basis of preparation

This consolidated financial information has been prepared in accordance with the accounting policies set out in the 2005 Annual Report, which was published on January 19, 2006, which incorporates restated 2004 consolidated financial statements as a result of adopting new International Financial Reporting Standards (IFRS). In some cases, since the IFRS rules do not require retrospective restatement, the 2004 consolidated financial information is on a pro forma basis to make it more comparable with the 2005 information. The following information summarizes these pro forma adjustments:

IFRS 2 (Share-based compensation)

IFRS 2 requires the fair value of any equity instruments granted to employees to be recognized as an expense. As permitted by IFRS 2, Novartis has restated its prior-year audited historical consolidated financial statements to reflect the cost of grants awarded only since November 7, 2002, whereas the pro forma calculation includes prior grants.

IFRS 3 (Business combinations)

Under IFRS 3, with effect from January 1, 2005, all goodwill is considered to have an indefinite life and is not amortized, but is subject to annual impairment testing. This requirement applies to goodwill separately presented in the Group's balance sheet and to goodwill that is embedded in the equity accounting for associated companies. This new accounting policy was also applied in 2004 for transactions consummated after March 31, 2004. The pro forma consolidated financial information has no amortization of goodwill recorded in 2004.

IAS 38 (Intangibles)

Under IAS 38 (revised), Novartis is required to adopt changes to accounting for intangible assets. The following are the principal accounting policy changes:

In-Process Research & Development has not been amortized for IFRS purposes for all acquisitions after March 31, 2004. Prior to this date, it was included in goodwill and amortized.

Acquired R&D assets, such as those related to up-front and milestone payments, also need to be capitalized as intangible assets from January 1, 2005.

The pro forma consolidated financial information applies the new policies for all of 2004.

2. Business combinations and other significant transactions

The following significant transactions occurred during 2005 and 2004:

2005

Sandoz

On February 21, Novartis announced it was acquiring two leading generics companies in a series of transactions. Novartis signed definitive agreements to acquire 100% of Hexal AG and a 67.7% stake (65.4% fully diluted) in Eon Labs, Inc. (NASDAQ: ELAB) for a total of EUR 5.65 billion in cash.

On June 6, Novartis completed the acquisition of Hexal AG for USD 5.3 billion in cash. The 2005 results include the consolidated income statement and cash flows of Hexal AG from June 6, 2005, to December 31, 2005. Provisional goodwill at December 31, 2005, amounted to USD 3.6 billion.

On July 20, 2005, Novartis completed a cash tender offer for the outstanding shares of Eon Labs, Inc., with the result that it was possible to acquire all of the company's outstanding shares for USD 31.00 per share. The total acquisition costs of Eon Labs amounted to USD 2.6 billion. The 2005 results include the consolidated balance sheet, income statements and cash flows of Eon Labs from July 20, 2005, to December 31, 2005. Provisional goodwill of USD 1.7 billion has been included.

Consumer Health

On July 14, 2005, the Novartis OTC Business Unit announced the acquisition of a business including the rights to produce and market a portfolio of over-the-counter (OTC) brands from the Bristol-Myers Squibb Company that are principally sold in the US for USD 660 million in cash. The income statement and cash flows are recorded from the closing dates of the components in this transaction. The closing date for the North American portion was August 31, 2005. The closing date for the South American portion was September 30, 2005. The marketing rights in Europe, the Middle East and Africa (EMEA) were transferred on January 6, 2006, for no additional payment. A provisional goodwill of USD 223 million has been included in the consolidated balance sheet.

Corporate

On October 31, 2005, Novartis announced that it has entered into a definitive merger agreement with Chiron Corporation to acquire all of the remaining shares of Chiron Corporation that it does not already own for USD 45.00 per share. In December 2005, Novartis acquired a further approximately 2% interest of newly issued shares for USD 300 million. It is anticipated that Chiron shareholders will approve this transaction, which has received US regulatory approval but still requires other approvals, in the first half of 2006.

Consumer Health

Novartis announced on November 28, 2005, that it had agreed to sell its Nutrition & Santé unit, contained in the Medical Nutrition Business Unit, for approximately USD 260 million to ABN AMRO Capital France. This transaction is expected to be completed in the first quarter of 2006.

2004

Sandoz

On June 30, Novartis acquired 100% of the shares of the Danish generics company Durascan A/S from AstraZeneca. Goodwill of USD 23 million has been recorded on this transaction.

On August 13, Novartis completed the acquisition of 100% of the shares of Sabex Inc., a Canadian generic manufacturer with a leading position in generic injectables, for USD 565 million in cash. Goodwill of USD 314 million has been recorded on this transaction.

Medical Nutrition

On February 13, Novartis completed the acquisition of Mead Johnson & Company's global adult medical nutrition business for USD 385 million in cash. These activities are included in the consolidated financial statements from that date with USD 220 million of net sales and a USD 31 million operating loss was recorded in 2004. Goodwill of USD 183 million has been recorded on this transaction.

3. Principal currency translation rates**Full year**

| | Average rates 2005 | Average rates 2004 | Period-end rates Dec 31, 2005 | Period-end rates Dec 31, 2004 |
|---------|-----------------------|-----------------------|-------------------------------------|-------------------------------------|
| | USD | USD | USD | USD |
| 1 CHF | 0.804 | 0.805 | 0.762 | 0.881 |
| 1 EUR | 1.245 | 1.243 | 1.186 | 1.362 |
| 1 GBP | 1.820 | 1.831 | 1.726 | 1.923 |
| 100 JPY | 0.910 | 0.926 | 0.851 | 0.964 |

Fourth quarter

| | Average rates Q4 2005 | Average rates Q4 2004 | Period-end rates Dec 31, 2005 | Period-end rates Dec 31, 2004 |
|--|--------------------------|--------------------------|-------------------------------------|-------------------------------------|
| | USD | USD | USD | USD |

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| | | | | |
|---------|--------------|-------|--------------|-------|
| 1 CHF | 0.768 | 0.845 | 0.762 | 0.881 |
| 1 EUR | 1.189 | 1.296 | 1.186 | 1.362 |
| 1 GBP | 1.748 | 1.865 | 1.726 | 1.923 |
| 100 JPY | 0.853 | 0.945 | 0.851 | 0.964 |

4. Condensed consolidated change in liquidity (unaudited)

Full year

| | 2005 | 2004(1) | Change |
|---|---------------|--------------|---------------|
| | USD m | USD m | USD m |
| Change in cash and cash equivalents | 238 | 437 | -199 |
| Change in marketable securities, financial debt and financial derivatives | -4 796 | -51 | -4 745 |
| Change in net liquidity | -4 558 | 386 | -4 944 |
| Net liquidity at January 1 ⁽¹⁾ | 7 037 | 6 651 | 386 |
| Net liquidity at December 31 | 2 479 | 7 037 | -4 558 |

(1) Restated historical basis (see notes to the 2005 Financial Report for further information)

Fourth quarter

| | Q4 2005 | Q4 2004(1) | Change |
|---|--------------|--------------|---------------|
| | USD m | USD m | USD m |
| Change in cash and cash equivalents | 2 789 | 2 902 | -113 |
| Change in marketable securities, financial debt and financial derivatives | -1 355 | -1 868 | 513 |
| Change in net liquidity | 1 434 | 1 034 | 400 |
| Net liquidity at October 1 ⁽¹⁾ | 1 045 | 6 003 | -4 958 |
| Net liquidity at December 31 | 2 479 | 7 037 | -4 558 |

(1) Restated historical basis (see notes to the 2005 Financial Report for further information)

5. Legal and product liability update

Litigation: A number of our affiliates are the subject of litigation arising out of the normal conduct of their business. As a result, claims could be made against them which, in whole or in part, might not be covered by insurance. In our opinion, however, the outcome of these actions will not materially affect our financial condition but could be material to our results of operations in a given period. Significant developments in these cases in the fourth quarter of 2005 are as follows:

Chiron/Proposed Acquisition: Following Novartis AG's offer on September 1, 2005, to acquire the remaining approximately 58% of Chiron Corporation's stock that is not already owned by Novartis for USD 40 per share, 12 class action complaints were filed against Novartis AG, Chiron, and against the Chiron board of directors, which includes three directors who are designated to that board by Novartis AG. Eight of these actions, filed in California state court, have been consolidated into a single California action. The remaining four actions, filed in Delaware state court, have been consolidated into a single Delaware action. The complaints generally allege that Novartis AG's offer was inadequate and unfair, and that the Chiron directors have and/or will breach their fiduciary duties in connection with the offer. Two of the Delaware actions additionally allege that certain provisions of a pre-existing governance agreement between Novartis and Chiron are illegal under Delaware law. There have been no substantive proceedings in the California cases. Briefing had commenced in the Delaware cases on dispositive motions with respect to the governance agreement issues, but that briefing has been held in abeyance in light of Novartis AG's October 31, 2005 announcement that it had entered into an agreement with the Board of Directors of Chiron to acquire the remaining shares of Chiron stock.

Fen-Phen: As of December 31, 2005, Sandoz, Inc. remained a defendant in approximately 28 active cases, and Eon Labs, Inc. remained a named defendant in approximately 76 active cases.

PPA: A total of 52 lawsuits remained pending against Novartis affiliates in the US as of December 31, 2005 (down from 96 at the close of the third quarter of 2005) brought by people claiming to have been injured by products containing phenylpropanolamine (PPA) sold by certain of those affiliates. These cases are in various stages of litigation, with Novartis having achieved favorable jury verdicts in four trials. In two other trials the juries were unable to reach a verdict. Another 26 trials have scheduled trial dates over the next 12 months. There can be no guarantee that our initial successes will be repeated or sustained.

6. Significant differences between IFRS and US Generally Accepted Accounting Principles (US GAAP)

The Group's consolidated financial statements have been prepared in accordance with IFRS, which, as applied by the Group, differ in certain significant respects from US GAAP. The effects of the application of US GAAP to net income and equity are set out in the tables below.

For further comments regarding the nature of these adjustments, please consult note 34 in the Novartis 2005 Annual Report.

| | 2005 USD m | 2004(1) USD m |
|--|---------------|------------------|
| Net income under IFRS | 6 141 | 5 380 |
| US GAAP adjustments: | | |
| Available-for-sale securities | 278 | -183 |
| Inventory impairment reversal | 20 | -43 |
| Associated companies | -6 | 179 |
| Intangible assets | -1 238 | -590 |
| Property, plant and equipment | 53 | 77 |
| Pensions and other post-employment benefits | -181 | -82 |
| Deferred taxes | 178 | 423 |
| Share-based compensation | -44 | -61 |
| Currency translation | | -301 |
| Minority interests | -11 | -15 |
| Other | | 9 |
| Net income under US GAAP | 5 190 | 4 793 |
| Basic earnings per share under US GAAP (USD) | 2.22 | 2.03 |
| Diluted earnings per share under US GAAP (USD) | 2.22 | 2.02 |

(1) Restated historical basis (see notes to the 2005 Financial Report for further information)

| | Dec 31, 2005 USD m | Dec 31, 2004(1) USD m |
|---|-----------------------|--------------------------|
| Equity under IFRS | 33 164 | 31 315 |
| US GAAP adjustments: | | |
| Available-for-sale securities | -24 | -64 |
| Inventory impairment reversal | -23 | -43 |
| Associated companies | 25 | 6 |
| Intangible assets | 4 142 | 6 036 |
| Property, plant and equipment | -409 | -558 |
| Pensions and other post-employment benefits | 3 133 | 3 379 |
| Deferred taxes | -1 438 | -2 082 |
| Share-based compensation | -96 | -118 |
| Minority interests | -174 | -138 |
| Total US GAAP adjustments | 5 136 | 6 418 |
| Equity under US GAAP | 38 300 | 37 733 |

(1) Restated historical basis (see notes to the 2005 Financial Report for further information)

Supplementary information (unaudited)

Free cash flow

Full year

| | 2005 USD m | 2004(1) USD m | Change USD m |
|--|---------------|------------------|-----------------|
| Cash flow from operating activities | 8 080 | 6 689 | 1 391 |
| Purchase of property, plant & equipment | -1 188 | -1 269 | 81 |
| Purchase of intangible and financial assets | -1 143 | -1 022 | -121 |
| Sale of property, plant & equipment; intangible and financial assets | 1 031 | 799 | 232 |
| Dividends paid to third parties | -2 107 | -1 896 | -211 |
| Free cash flow | 4 673 | 3 301 | 1 372 |

(1) Pro forma basis (see notes to the 2005 Financial Report for further information)

Fourth quarter

| | Q4 2005 USD m | Q4 2004(1) USD m | Change USD m |
|--|------------------|---------------------|-----------------|
| Cash flow from operating activities | 2 265 | 1 824 | 441 |
| Purchase of property, plant & equipment | -418 | -387 | -31 |
| Purchase of intangible and financial assets | -398 | -339 | -59 |
| Sale of property, plant & equipment; intangible and financial assets | 161 | 181 | -20 |
| Free cash flow | 1 610 | 1 279 | 331 |

(1) Pro forma basis (see notes to the 2005 Financial Report for further information)

Share information

| | Dec 31, 2005 | Dec 31, 2004 |
|--|----------------|--------------|
| Number of shares outstanding (million) | 2 335.9 | 2 337.5 |

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| | | |
|-------------------------------------|--------------|----------|
| Registered share price (CHF) | 69.05 | 57.30 |
| ADS price (USD) | 52.48 | 50.54 |
| Market capitalization (USD billion) | 122.9 | 118.1(1) |
| Market capitalization (CHF billion) | 161.3 | 133.9(1) |

(1) Restated historical basis (see notes to the 2005 Financial Report for further information)

Impact of intangible asset charges and significant exceptional items

Full year (unaudited)

| | Pharmaceuticals Division | | Sandoz Division | | Consumer Health Division | | Corporate | | Total | |
|--|-----------------------------|------------------------------|--------------------|------------------------------|-----------------------------|------------------------------|---------------|------------------------------|---------------|------------------------------|
| | 2005 USD m | 2004 ⁽¹⁾ USD m | 2005 USD m | 2004 ⁽¹⁾ USD m | 2005 USD m | 2004 ⁽¹⁾ USD m | 2005 USD m | 2004 ⁽¹⁾ USD m | 2005 USD m | 2004 ⁽¹⁾ USD m |
| Reported operating income | 6 014 | 5 366 | 342 | 263 | 1 055 | 1 006 | -506 | -346 | 6 905 | 6 289 |
| Recurring amortization | 178 | 172 | 189 | 87 | 102 | 94 | 12 | 8 | 481 | 361 |
| Impairments | 359 | 12 | 37 | 75 | | | 5 | | 401 | 87 |
| Intangible asset charges | 537 | 184 | 226 | 162 | 102 | 94 | 17 | 8 | 882 | 448 |
| Impairment charges on property, plant & equipment | | | 14 | 16 | | -2 | | 2 | 14 | 16 |
| Other restructuring expenses | | 10 | 51 | 21 | | | | | 51 | 31 |
| Impact of increasing acquired inventory to selling prices less distribution margin | | | 161 | 13 | 21 | 5 | | | 182 | 18 |
| Other acquisition-related costs | | | 25 | | 19 | 14 | | | 44 | 14 |
| Exceptional restructuring and acquisition expenses | | 10 | 251 | 50 | 40 | 17 | | 2 | 291 | 79 |
| Exceptional gains/losses from divesting subsidiaries and major products | -231 | -156 | | | -8 | | | | -239 | -156 |
| Operating income excluding the above items | 6 320 | 5 404 | 819 | 475 | 1 189 | 1 117 | -489 | -336 | 7 839 | 6 660 |

(1) Pro forma basis (see notes to the 2005 Financial Report for further information)

Fourth quarter (unaudited)

| | Pharmaceuticals Division | | Sandoz Division | | Consumer Health Division | | Corporate | | Total | |
|--|-----------------------------|------------------------------|--------------------|------------------------------|-----------------------------|------------------------------|---------------|------------------------------|---------------|------------------------------|
| | 2005 USD m | 2004 ⁽¹⁾ USD m | 2005 USD m | 2004 ⁽¹⁾ USD m | 2005 USD m | 2004 ⁽¹⁾ USD m | 2005 USD m | 2004 ⁽¹⁾ USD m | 2005 USD m | 2004 ⁽¹⁾ USD m |
| Reported operating income | 1 358 | 1 341 | 119 | 28 | 190 | 175 | -179 | -44 | 1 488 | 1 500 |
| Recurring amortization | 45 | 44 | 52 | 30 | 27 | 26 | 2 | 1 | 126 | 101 |
| Impairments | 293 | 1 | 4 | | | | | | 297 | 1 |
| Intangible asset charges | 338 | 45 | 56 | 30 | 27 | 26 | 2 | 1 | 423 | 102 |
| Impairment charges on property, plant & equipment | -19 | | 11 | 16 | | -2 | | 2 | -8 | 16 |
| Restructuring expenses | | 10 | 20 | 21 | | | | | 20 | 31 |
| Impact of increasing acquired inventory to selling prices less distribution margin | | | 42 | 4 | 16 | | | | 58 | 4 |
| Other acquisition-related costs | | | 16 | | 8 | 1 | | | 24 | 1 |
| Exceptional restructuring and acquisition expenses | -19 | 10 | 89 | 41 | 24 | -1 | | 2 | 94 | 52 |
| Exceptional gains/losses from divesting subsidiaries and major products | | -69 | | | | | | | | -69 |
| Operating income excluding the above items | 1 677 | 1 327 | 264 | 99 | 241 | 200 | -177 | -41 | 2 005 | 1 585 |

(1) Pro forma basis (see notes to the 2005 Financial Report for further information)

Supplementary tables: Full year 2005 - Net sales of top 20 pharmaceutical products (unaudited)

| Brands | Therapeutic area | US | | Rest of world | | Total | % change | |
|---|--------------------------|--------------|------------------------------|---------------|------------------------------|---------------|-----------|---------------------|
| | | USD m | % change in local currencies | USD m | % change in local currencies | USD m | in USD | in local currencies |
| <i>Diovan/Co-Diovan</i> | Hypertension | 1 551 | 17 | 2 125 | 20 | 3 676 | 19 | 19 |
| <i>Gleevec/Glivec</i> | Chronic myeloid leukemia | 524 | 42 | 1 646 | 28 | 2 170 | 33 | 32 |
| <i>Zometa</i> | Cancer complications | 704 | 12 | 520 | 14 | 1 224 | 14 | 13 |
| <i>Lamisil (group)</i> | Fungal infections | 538 | 2 | 595 | -6 | 1 133 | -2 | -2 |
| <i>Lotrel</i> | Hypertension | 1 075 | 17 | | | 1 075 | 17 | 17 |
| <i>Neoral/Sandimmun</i> | Transplantation | 150 | -17 | 803 | -4 | 953 | -6 | -6 |
| <i>Sandostatin (group)</i> | Acromegaly | 376 | 1 | 520 | 13 | 896 | 8 | 8 |
| <i>Lescol</i> | Cholesterol reduction | 257 | -10 | 510 | 7 | 767 | 1 | 1 |
| <i>Voltaren (group)</i> | Inflammation/pain | 5 | -44 | 684 | 8 | 689 | 8 | 7 |
| <i>Trileptal</i> | Epilepsy | 462 | 18 | 153 | 17 | 615 | 19 | 18 |
| Top ten products total | | 5 642 | 13 | 7 556 | 13 | 13 198 | 13 | 13 |
| <i>Femara</i> | Breast cancer | 242 | 46 | 294 | 33 | 536 | 39 | 38 |
| <i>Visudyne</i> | Macular degeneration | 183 | -12 | 301 | 24 | 484 | 8 | 7 |
| <i>Exelon</i> | Alzheimer s disease | 172 | -4 | 295 | 18 | 467 | 11 | 9 |
| <i>Zelmac/Zelnorm</i> | Irritable bowel syndrome | 357 | 43 | 61 | 17 | 418 | 40 | 39 |
| <i>Tegretol (incl. CR/XR)</i> | Epilepsy | 109 | 6 | 284 | -5 | 393 | -1 | -2 |
| <i>Miacalcic</i> | Osteoporosis | 229 | -3 | 136 | -5 | 365 | -3 | -4 |
| <i>Foradil</i> | Asthma | 14 | 8 | 318 | 2 | 332 | 3 | 2 |
| <i>Comtan/Stalevo Group</i> | Parkinson s disease | 133 | 24 | 145 | 53 | 278 | 39 | 38 |
| <i>Elidel</i> | Eczema | 192 | -31 | 78 | 8 | 270 | -23 | -23 |
| <i>Famvir</i> | Viral infections | 151 | -6 | 103 | 4 | 254 | | -2 |
| Top 20 products total | | 7 424 | 11 | 9 571 | 13 | 16 995 | 13 | 12 |
| Rest of portfolio | | 723 | 10 | 2 606 | -6 | 3 329 | -2 | -3 |
| Total Division sales excluding accounting adjustment | | 8 147 | 11 | 12 177 | 8 | 20 324 | 10 | 9 |
| Prior-years US sales rebate accounting adjustment | | -62 | | | | -62 | | |
| Total Division net sales | | 8 085 | 10 | 12 177 | 8 | 20 262 | 10 | 9 |

Supplementary tables: Fourth Quarter 2005 - Net sales of top 20 pharmaceutical products (unaudited)

| Brands | Therapeutic area | US | | Rest of world | | Total | | % change | |
|---|--------------------------|--------------|------------------------------|---------------|------------------------------|--------------|----------|---------------------|--|
| | | USD m | % change in local currencies | USD m | % change in local currencies | USD m | in USD | in local currencies | |
| <i>Diovan/Co-Diovan</i> | Hypertension | 417 | 29 | 577 | 23 | 994 | 20 | | |
| <i>Gleevec/Glivec</i> | Chronic myeloid leukemia | 153 | 53 | 437 | 26 | 590 | 27 | | |
| <i>Zometa</i> | Cancer complications | 187 | 13 | 127 | 9 | 314 | 9 | | |
| <i>Lamisil (group)</i> | Fungal infections | 127 | 1 | 124 | -23 | 251 | -17 | | |
| <i>Lotrel</i> | Hypertension | 297 | 17 | | | 297 | 17 | | |
| <i>Neoral/Sandimmun</i> | Transplantation | 39 | -11 | 202 | -3 | 241 | -10 | | |
| <i>Sandostatin (group)</i> | Acromegaly | 95 | -11 | 129 | 15 | 224 | | 3 | |
| <i>Lescol</i> | Cholesterol reduction | 70 | -4 | 126 | 6 | 196 | -3 | 3 | |
| <i>Voltaren (group)</i> | Inflammation/pain | 0 | -100 | 169 | 0 | 169 | -6 | -1 | |
| <i>Trileptal</i> | Epilepsy | 119 | 13 | 38 | 10 | 157 | 11 | 12 | |
| Top ten products total | | 1 504 | 16 | 1 929 | 11 | 3 433 | 9 | 13 | |
| <i>Femara</i> | Breast cancer | 67 | 31 | 79 | 32 | 146 | 27 | 32 | |
| <i>Visudyne</i> | Macular degeneration | 31 | -44 | 76 | 18 | 107 | -14 | -9 | |
| <i>Exelon</i> | Alzheimer s disease | 45 | 2 | 76 | 22 | 121 | 11 | 14 | |
| <i>Zelmac/Zelnorm</i> | Irritable bowel syndrome | 106 | 86 | 17 | 13 | 123 | 71 | 69 | |
| <i>Tegretol (incl. CR/XR)</i> | Epilepsy | 28 | 4 | 68 | -16 | 96 | -14 | -11 | |
| <i>Miacalcic</i> | Osteoporosis | 51 | -7 | 34 | -6 | 85 | -9 | -6 | |
| <i>Foradil</i> | Asthma | 3 | -25 | 78 | 3 | 81 | -7 | | |
| <i>Comtan/Stalevo Group</i> | Parkinson s disease | 36 | 24 | 39 | 42 | 75 | 29 | 33 | |
| <i>Elidel</i> | Eczema | 36 | -52 | 17 | -9 | 53 | -44 | -42 | |
| <i>Famvir</i> | Viral infections | 41 | 2 | 25 | 4 | 66 | 2 | 3 | |
| Top 20 products total | | 1 948 | 12 | 2 438 | 11 | 4 386 | 7 | 11 | |
| Rest of portfolio | | 208 | 35 | 654 | -6 | 862 | -3 | 1 | |
| Total Division sales excluding accounting adjustment | | 2 156 | 14 | 3 092 | 7 | 5 248 | 6 | 9 | |
| Prior-years US sales rebate accounting adjustment | | | | | | | | | |
| Total Division net sales | | 2 156 | 14 | 3 092 | 7 | 5 248 | 6 | 9 | |

Pharmaceutical Division therapeutic area net sales (unaudited)

Full year (unaudited)

| | 2005 USD m | 2004 USD m | Change USD (%) |
|--|---------------|---------------|-------------------|
| Cardiovascular | | | |
| Strategic franchise products | | | |
| <i>Diovan</i> | 3 676 | 3 093 | 19 |
| <i>Lotrel</i> | 1 075 | 920 | 17 |
| <i>Lescol</i> | 767 | 758 | 1 |
| Other | 128 | 120 | 7 |
| Total strategic franchise products | 5 646 | 4 891 | 15 |
| Mature products | 665 | 815 | -18 |
| Total Cardiovascular products | 6 311 | 5 706 | 11 |
| Oncology | | | |
| Strategic franchise products | | | |
| <i>Gleevec/Glivec</i> | 2 170 | 1 634 | 33 |
| <i>Zometa</i> | 1 224 | 1 078 | 14 |
| <i>Sandostatin (group)</i> | 896 | 827 | 8 |
| <i>Femara</i> | 536 | 386 | 39 |
| Other | 270 | 290 | -7 |
| Total Oncology products | 5 096 | 4 215 | 21 |
| Neuroscience | | | |
| Strategic franchise products | | | |
| <i>Trileptal</i> | 615 | 518 | 19 |
| <i>Exelon</i> | 467 | 422 | 11 |
| <i>Tegretol</i> | 393 | 396 | -1 |
| Other | 758 | 686 | 10 |
| Total strategic franchise products | 2 233 | 2 022 | 10 |
| Mature products | 476 | 533 | -11 |
| Total Neuroscience products | 2 709 | 2 555 | 6 |
| Respiratory & Dermatology | | | |
| Strategic franchise products | | | |
| <i>Lamisil</i> | 1 133 | 1 162 | -2 |
| <i>Elidel</i> | 270 | 349 | -23 |
| <i>Foradil</i> | 332 | 321 | 3 |
| Other | 58 | 43 | 35 |
| Total strategic franchise products | 1 793 | 1 875 | -4 |
| Mature products | 142 | 151 | -6 |
| Total Respiratory & Dermatology products | 1 935 | 2 026 | -4 |
| Arthritis/Bone/Gastrointestinal/Hormonal/ Infectious diseases/other (ABGHI) | | | |
| Strategic franchise products | | | |
| <i>Zelmac/Zelnorm</i> | 418 | 299 | 40 |
| Other | 333 | 269 | 24 |
| Total strategic franchise products | 751 | 568 | 32 |
| Mature products | 1 596 | 1 560 | 2 |

| | | | |
|---|---------------|---------------|-----------|
| Total ABGHI products | 2 347 | 2 128 | 10 |
| Transplantation | | | |
| <i>Neoral/Sandimmun</i> | 953 | 1 011 | -6 |
| Other | 139 | 81 | 72 |
| Total Transplantation products | 1 092 | 1 092 | 0 |
| Ophthalmics | | | |
| <i>Visudyne</i> | 484 | 448 | 8 |
| Other | 350 | 327 | 7 |
| Total Ophthalmics products | 834 | 775 | 8 |
| Total strategic franchise products | 17 445 | 15 438 | 13 |
| Total mature products | 2 879 | 3 059 | -6 |
| Prior-years US sales rebate accounting adjustment | -62 | | |
| Total Division net sales | 20 262 | 18 497 | 10 |

Pharmaceutical Division therapeutic area net sales (unaudited)

Fourth quarter (unaudited)

| | Q4 2005 USD m | Q4 2004 USD m | Change USD (%) |
|--|------------------|------------------|-------------------|
| Cardiovascular | | | |
| Strategic franchise products | | | |
| <i>Diovan</i> | 994 | 825 | 20 |
| <i>Lotrel</i> | 297 | 254 | 17 |
| <i>Lescol</i> | 196 | 202 | -3 |
| Other | 39 | 35 | 11 |
| Total strategic franchise products | 1 526 | 1 316 | 16 |
| Mature products | 158 | 204 | -23 |
| Total Cardiovascular products | 1 684 | 1 520 | 11 |
| Oncology | | | |
| Strategic franchise products | | | |
| <i>Gleevec/Glivec</i> | 590 | 466 | 27 |
| <i>Zometa</i> | 314 | 289 | 9 |
| <i>Sandostatin (group)</i> | 224 | 225 | 0 |
| <i>Femara</i> | 146 | 115 | 27 |
| Other | 71 | 77 | -8 |
| Total Oncology products | 1 345 | 1 172 | 15 |
| Neuroscience | | | |
| Strategic franchise products | | | |
| <i>Trileptal</i> | 157 | 141 | 11 |
| <i>Exelon</i> | 121 | 109 | 11 |
| <i>Tegretol</i> | 96 | 112 | -14 |
| Other | 204 | 184 | 11 |
| Total strategic franchise products | 578 | 546 | 6 |
| Mature products | 100 | 143 | -30 |
| Total Neuroscience products | 678 | 689 | -2 |
| Respiratory & Dermatology | | | |
| Strategic franchise products | | | |
| <i>Lamisil</i> | 251 | 302 | -17 |
| <i>Elidel</i> | 53 | 94 | -44 |
| <i>Foradil</i> | 81 | 87 | -7 |
| Other | 16 | 12 | 33 |
| Total strategic franchise products | 401 | 495 | -19 |
| Mature products | 34 | 41 | -17 |
| Total Respiratory & Dermatology products | 435 | 536 | -19 |
| Arthritis/Bone/Gastrointestinal/Hormonal/ Infectious diseases/other (ABGHI) | | | |
| Strategic franchise products | | | |
| <i>Zelmac/Zelnorm</i> | 123 | 72 | 71 |
| Other | 101 | 71 | 42 |
| Total strategic franchise products | 224 | 143 | 57 |
| Mature products | 409 | 409 | 0 |

| | | | |
|---|--------------|--------------|------------|
| Total ABGHI products | 633 | 552 | 15 |
| Transplantation | | | |
| <i>Neoral/Sandimmun</i> | 241 | 268 | -10 |
| Other | 43 | 25 | 72 |
| Total Transplantation products | 284 | 293 | -3 |
| Ophthalmics | | | |
| <i>Visudyne</i> | 107 | 124 | -14 |
| Other | 82 | 80 | 3 |
| Total Ophthalmics products | 189 | 204 | -7 |
| Total strategic franchise products | 4 547 | 4 169 | 9 |
| Total mature products | 701 | 797 | -12 |
| Prior-years US sales rebate accounting adjustment | | 3 | |
| Total Division net sales | 5 248 | 4 969 | 6 |

Net sales by region (unaudited)

Full year

| | 2005 | 2004 | % change | | 2005 | 2004 |
|------------------------|---------------|---------------|-----------|------------------|------------|------------|
| | USD m | USD m | USD | Local currencies | % of total | % of total |
| Pharmaceuticals | | | | | | |
| US | 8 085 | 7 368 | 10 | 10 | 40 | 40 |
| Rest of world | 12 177 | 11 129 | 9 | 8 | 60 | 60 |
| Total | 20 262 | 18 497 | 10 | 9 | 100 | 100 |
| Sandoz | | | | | | |
| US | 1 282 | 981 | 31 | 31 | 27 | 32 |
| Rest of world | 3 412 | 2 064 | 65 | 65 | 73 | 68 |
| Total | 4 694 | 3 045 | 54 | 54 | 100 | 100 |
| Consumer Health | | | | | | |
| US | 3 220 | 2 909 | 11 | 11 | 44 | 43 |
| Rest of world | 4 036 | 3 796 | 6 | 5 | 56 | 57 |
| Total | 7 256 | 6 705 | 8 | 8 | 100 | 100 |
| Group | | | | | | |
| US | 12 587 | 11 258 | 12 | 12 | 39 | 40 |
| Rest of world | 19 625 | 16 989 | 16 | 14 | 61 | 60 |
| Total | 32 212 | 28 247 | 14 | 13 | 100 | 100 |

Fourth quarter

| | Q4 2005 | Q4 2004 | % change | | Q4 2005 | Q4 2004 |
|------------------------|--------------|--------------|-----------|------------------|------------|------------|
| | USD m | USD m | USD | Local currencies | % of total | % of total |
| Pharmaceuticals | | | | | | |
| US | 2 156 | 1 894 | 14 | 14 | 41 | 38 |
| Rest of world | 3 092 | 3 075 | 1 | 7 | 59 | 62 |
| Total | 5 248 | 4 969 | 6 | 9 | 100 | 100 |
| Sandoz | | | | | | |
| US | 458 | 272 | 68 | 69 | 29 | 31 |
| Rest of world | 1 115 | 595 | 87 | 100 | 71 | 69 |
| Total | 1 573 | 867 | 81 | 91 | 100 | 100 |
| Consumer Health | | | | | | |

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| | | | | | | |
|---------------|--------------|--------------|-----------|-----------|------------|------------|
| US | 859 | 749 | 15 | 15 | 47 | 43 |
| Rest of world | 977 | 993 | -2 | 4 | 53 | 57 |
| Total | 1 836 | 1 742 | 5 | 9 | 100 | 100 |
| Group | | | | | | |
| US | 3 473 | 2 915 | 19 | 19 | 40 | 38 |
| Rest of world | 5 184 | 4 663 | 11 | 18 | 60 | 62 |
| Total | 8 657 | 7 578 | 14 | 18 | 100 | 100 |

Quarterly analysis

Key figures by quarter

| | Q4 2005 USD m | Q3 2005 USD m | Change USD m | % |
|------------------|------------------|------------------|-----------------|-----|
| Total net sales | 8 657 | 8 415 | 242 | 3 |
| Operating income | 1 488 | 1 888 | -400 | -21 |
| Financial income | 110 | 98 | 12 | 12 |
| Interest expense | -67 | -80 | 13 | -16 |
| Taxes | -246 | -305 | 59 | -19 |
| Net income | 1 352 | 1 666 | -314 | -19 |

Net sales by region

| | Q4 2005 USD m | Q3 2005 USD m | Change USD m | % |
|---------------|------------------|------------------|-----------------|----------|
| US | 3 473 | 3 228 | 245 | 8 |
| Europe | 3 132 | 3 208 | -76 | -2 |
| Rest of world | 2 052 | 1 979 | 73 | 4 |
| Total | 8 657 | 8 415 | 242 | 3 |

Net sales by division

| | Q4 2005 USD m | Q3 2005 USD m | Change USD m | % |
|-----------------|------------------|------------------|-----------------|----------|
| Pharmaceuticals | 5 248 | 5 093 | 155 | 3 |
| Sandoz | 1 573 | 1 486 | 87 | 6 |
| Consumer Health | 1 836 | 1 836 | | |
| Total | 8 657 | 8 415 | 242 | 3 |

Operating income by division

| | Q4 2005 USD m | Q3 2005 USD m | Change USD m | % |
|-----------------|------------------|------------------|-----------------|-----|
| Pharmaceuticals | 1 358 | 1 681 | -323 | -19 |

Medical Nutrition

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| | | | | |
|-------------------------------|--------------|-------|-------------|------------|
| Sandoz | 119 | 34 | 85 | 250 |
| Consumer Health | 190 | 290 | -100 | -34 |
| Corporate income/expense, net | -179 | -117 | -62 | -53 |
| Total | 1 488 | 1 888 | -400 | -21 |

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, Novartis AG has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NOVARTIS AG

Date: January 20, 2006

By: /s/ MALCOLM CHEETHAM

Name: Malcolm Cheetham
Title: *Head Group Financial Reporting
and Accounting*